

REIS ADOPTING RELEASE
Conforming Change to REIS Market Value Accounting Policy Manual
Resulting from Issuance of The Fair Value Option

Issued by the Real Estate Information Standards Council in Conjunction
with the National Council of Real Estate Investment Fiduciaries
March 16, 2007

Executive Summary:

The indicated modifications to the REIS Market Value Accounting Policy Manual will be effective for periods beginning after November 15, 2007, with earlier adoption encouraged.

On June 15, 2006, the REIS adopting release entitled *Summary of Notes Payable Accounting Standards and Related REIS Modifications* was issued. The adopting release established a REIS requirement to report all notes payable at market value unless prohibited by GAAP. At that time, the FASB was working on a proposed standard commonly known as The Fair Value Option. This standard provides a one time option, or election, to report notes payable liabilities at market value. Therefore, upon its issuance there would no longer be a GAAP prohibition to report notes payable at market value.

The FASB has issued Statement 159, “The Fair Value Option for Financial Assets and Financial Liabilities –including an amendment to FASB Statement 115” and it is effective for an account’s first fiscal year that begins after November 15, 2007.

Modifications to the REIS Market Value Accounting Policy Manual:

Section 3.03 of the REIS Market Value Accounting Policy Manual is amended as follows:

3.03 ~~Unless prohibited by accounting principles generally accepted in the United States of America, n~~ Notes payable are required to be carried at market value as described in paragraph 3.05. **Accordingly, in order to be in compliance with REIS, SFAS 159, “The Fair Value Option for Financial Assets and Financial Liabilities – including an amendment of FASB Statement 115” must be elected for each note payable instrument held.** The market value of notes payable should be reported separately from that of the related encumbered assets. Changes in market financing terms should not affect the valuation of collateral. Adjustments to the estimated market value of notes payable should be reported as unrealized gain (loss) in the statement of operations. Gains and losses realized upon settlement of notes payable, net of transaction and prepayment costs, if any, should be reported as realized gain (loss) in the statement of operations.